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RUEHLC/AMEMBASSY LIBREVILLE 0030
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RUEHMK/AMEMBASSY NOUAKCHOTT 2246
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STATE FOR NEA/MAG AND NEA/PI

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SUBJECT: BANK CEO SAYS OPTIMISM JUSTIFIED IN MOROCCO

Classified By: PRINCIPAL OFFICER DOUGLAS GREENE FOR REASONS 1.4 (B)
AND (D)

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11. (C) SUMMARY: When it comes to Morocco, optimism characterizes the view of Othman Benjelloun, chairman and CEO of BMCE Bank. He attributes Morocco's positive environment to a healthy banking sector, a cooperative-minded Central Bank, and a booming economy. BMCE itself is doing well, and will soon launch a new strategy for selling financial products, as well as limited Islamic banking services. According to Benjelloun, neither upcoming parliamentary elections, nor the March 11 suicide bombing in Casablanca, will disrupt Morocco's positive environment. His deputy, however, acknowledged the need for continued reform and suggested several measures that he would like the GOM to implement. END SUMMARY.

POSITIVE ECONOMIC OUTLOOK

12. (U) On March 21, 2007, CG and Econoff met with Othman Benjelloun, Chairman and CEO of BMCE Bank, Morocco's third largest bank and the most internationally-focused. Jaloul Ayed, BMCE's Administrative Director General, was also present. The two shared a very positive view of Morocco's future, citing a growing economy and increased job creation. Mr. Benjelloun went so far as to say that the situation in Morocco has not been as favorable as it is now for several years, and stated that, "the optimism is justified."

13. (U) When asked what accounts for Morocco's positive environment, Benjelloun cited three factors. First, he said that several of Morocco's previously state-controlled banks, including Credit Agricole, Credit Immobilier et Hotelier (CIH) and Banque Centrale Populaire (BCP), had been ailing, but have now recovered. Second, he credited a much-improved relationship with the Central Bank for the new, positive environment. He explained that Bank Al Maghrib used to have a reputation for being punitive and aggressive, and for treating banks as police would citizens. With the arrival of Bank Governor Abdellatif Jouahri, however, Morocco's banks have developed a good working partnership with Bank Al Maghrib, even meeting as a group every six months. Benjelloun added that the Minister of Finance, Fathallah Oualalou, has also been helpful, thanks in part to his

knowledge of banking and nine years experience as BMCE's president.

¶4. (U) The third factor contributing to Morocco's positive environment is the simple fact of the economy's good health. According to Benjelloun, there is a lot of liquidity in the market, and projects in sectors including tourism, textiles and construction continue to flow. He cited the lack of unskilled workers in Marrakesh (as a result of the plethora of projects) and an official unemployment rate of ten percent as evidence that things are on the up and up. Benjelloun emphasized that the surfeit of activity in Morocco is a reality, not just a phenomenon reported in the press.

HANOUTI AND ISLAMIC BANKING AT BMCE

¶5. (SBU) Just as the Moroccan economy is fairing well, so too is BMCE Bank. Having reconfigured its domestic banking network, and redefined its corporate bank, BMCE Capital, the bank plans to launch an innovative strategy for selling financial products in mid-April. To start, the bank will open one hundred ?hanouti,? or small shops, which will operate like convenience stores where consumers can buy not only coke, gum and newspapers, but also financial services such as insurance plans and telecommunications packages. BMCE envisions opening three thousand shops, later expanding to other parts of the Maghreb and Africa. The bank has been looking ahead internationally as well, as indicated by its recent purchase of thirty-five percent of Bank of Africa, which has a presence in twelve African countries.

¶6. (SBU) BMCE, like its counterparts, will also begin to offer some Islamic banking products. Recently, the Bank Al Maghrib and the Professional Group of Banks of Morocco (of which Benjelloun is President) agreed to allow Islamic banking in Morocco, though not Islamic banks. Benjelloun stressed, however, that the Central Bank and the banking association will refer to these services as 'alternative products,' and not as Islamic or sharia or halal. The banks also agreed on specific names for the three products on offer, and will use only these names to sell them. The hope is that such products will increase banking participation.

¶7. (SBU) At the end of April, Bank Al Maghrib Governor Jouahri will meet with the banks to discuss each one's public relations approach to marketing their new services. While the GOM accepts that banks will offer Islamic banking products, everyone involved (including the king) is keenly aware that certain groups may try to politicize the issue. According to Benjelloun, the banks will offer the new products and reevaluate the decision to do so in six months.

NOT WORRIED ABOUT ELECTIONS, TERRORISM

¶8. (U) When asked for his opinion on upcoming parliamentary elections in September 2007, Benjelloun said he believes they will bring no significant change. He contends that even if the Justice and Development Party (PJD) gains fifteen or twenty seats, they will not win a majority, leaving the majority of parliament the same. He mentioned that the constitution gives the king the right to name the Prime Minister, implying that even a surprise in parliament would not destabilize Morocco.

¶9. (U) Similarly, Benjelloun did not think that the March 11 suicide bombing in Sidi Moumen would hurt the country. Though the event may force Moroccans to become more vigilant, he said it has not stopped people from investing or visiting, as evidenced by hotels and restaurants that continue to be full.

WISHLIST OF REFORMS

¶10. (SBU) When asked what changes he would like to see from the GOM, Benjelloun's Tunisian deputy, Jaloul Ayed, had several ideas for reform. The need for greater foreign exchange flexibility topped his list. He conceded that there has been some progress already, but believes there is still a long way to go. He would also like to see more flexible labor laws, and the total reform of the judicial system.

¶11. (SBU) Ayed placed particular emphasis on two areas. First, he observed that Morocco is very behind in reforming fiscal policy, with banks paying six percent more in taxes than other corporate businesses, which are already taxed heavily. He cited Egypt as a prime example of how Morocco might solve its fiscal problems. When Egypt halved taxes from over forty percent to about twenty, people started paying and tax revenue increased. Ayed believes this approach would be advantageous in Morocco. Not only would it benefit investors, but it might also stem the tide of educated Moroccans who opt to work abroad in part because their salaries at home are taxed too heavily.

¶12. (SBU) Second, Ayed noted that while Morocco has done a good job of reforming the financial system, banks such as BMCE face difficulties as a result of the fact that the palace has its own bank in Attijariwafa. According to Ayed, Attijariwafa's existence as a quasi-public bank creates some irregularities in the market. He admitted that while BMCE tries to establish professional and ethical standards, the situation sometimes makes it hard to adhere to them. Nonetheless, BMCE Bank has been able to profit from the current positive environment and is proud of its role as a pioneer in Morocco's banking sector.

¶13. (C) COMMENT: Benjelloun is optimistic about Morocco's future prospects, but acknowledges that challenges remain. His comment that ?there are many Moroccos,? including a large, uneducated, rural population, indicates he is aware that there is more to be done, as does his significant involvement in an organization dedicated to creating rural schools. Such efforts, along with the economic growth Benjelloun celebrates, will be the key to long-term stability and prosperity. END COMMENT.

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